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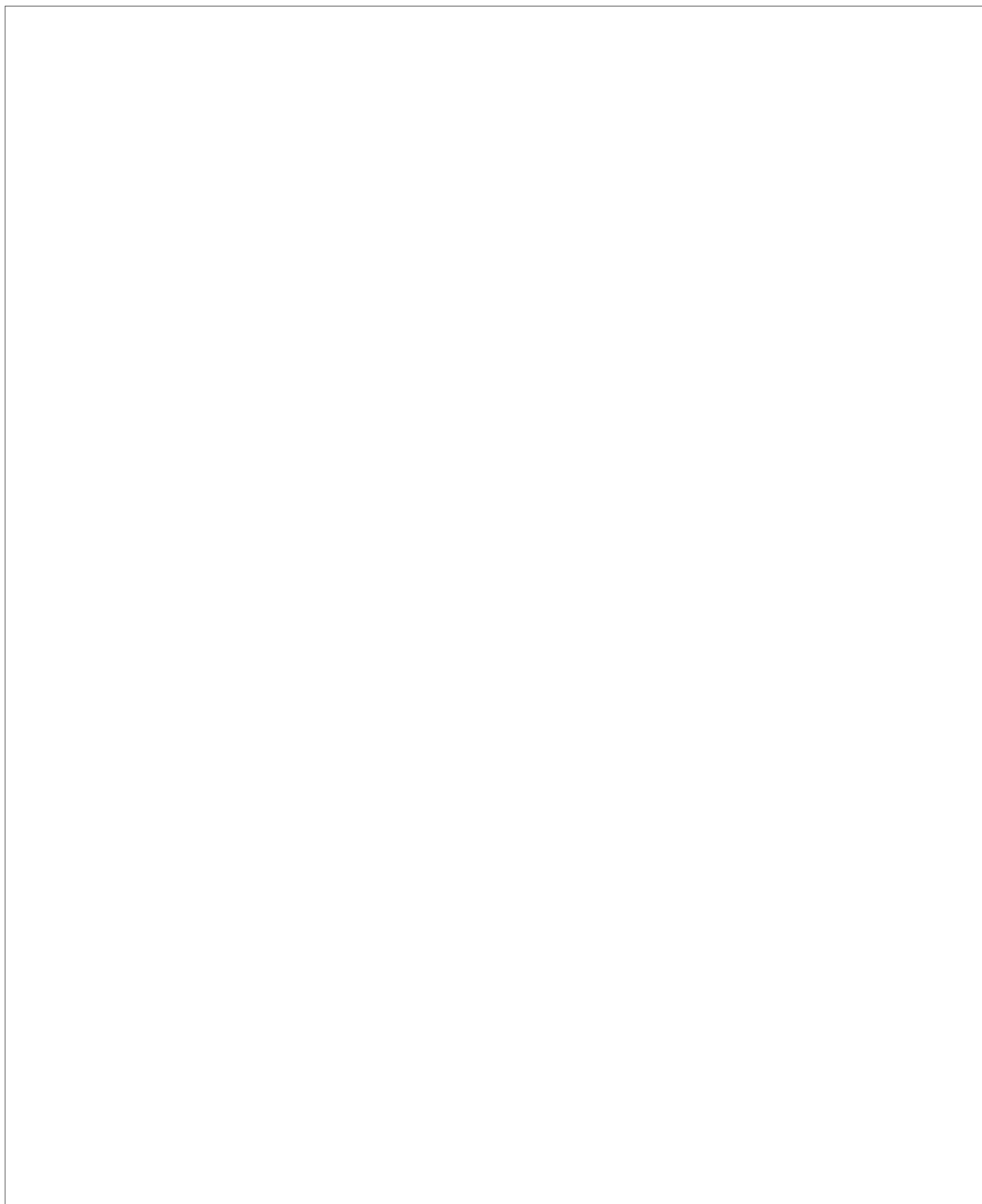
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USSR: Military Politicking Increases

Senior military leaders have approached the congress determined to be more outspoken and effective in protecting the military's institutional interests than in the past. They apparently rigged the selection of military delegates to the congress to exclude more reform-oriented younger officers and reportedly are caucusing regularly to discuss how best to defend their interests. Although Defense Minister Yazov and Chief of the General Staff Moiseyev have defended from traditionalist attacks most of Gorbachev's national security decisions, other senior officers have been sharply critical of his foreign policy.

The effort by radical reformers to eliminate the role of political organs in the armed forces apparently has aroused the military's ire. On Wednesday the second-ranking political officer in the armed forces, responding to a reformist letter charging military collusion with the traditionalists, spoke out adamantly against "deideologizing, depoliticizing, and departyizing" the armed forces, noting that the army "cannot be outside politics."

Gorbachev had already avowed that other political parties are free to recruit in the military, and one of his aides says he knows that depoliticization of the armed forces and security services is ultimately necessary, according to press reports. For the time being, however, the aide asserts Gorbachev thinks party organs should remain in the military and security services to guarantee stability.

Recent polls and other information indicate that the people being heard at the congress do not represent the military as a whole, much less the population at large. In one recent poll the hard line expressed by a general at the Russian party congress two weeks ago was supported by two-thirds of the army generals and 55 percent of officers above the rank of major, but rejected by the overwhelming majority of majors and lower officers.

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USSR:

Radical Reformers Get Chance To Speak

Russian Republic Chairman Yel'tsin's strong rhetoric yesterday is unlikely to change the course of the Soviet party congress but suggests he may be positioning himself to rally democratic forces outside the party.

Assuming the role of spokesman for the party's reform wing, Yel'tsin lashed out at traditionalists who have dominated the congress so far. He reminded them of the demise of Communist parties in Eastern Europe and warned that, if the Soviet party fails to reform, westernizing reformers will use state institutions to press for "total nationalization" of party property and to put party leaders on trial "for the damage they personally have inflicted" on the USSR. Yel'tsin hinted party hardliner Ligachev might be first to face such a fate.

Yel'tsin said it was not too late to reform and called for rejection of the draft platform and rules and for another party congress in six months. Representatives of the alternative draft platforms also presented their views.

According to *Izvestiya*, about 5,000 representatives of reformist organizations, including the Democratic Platform, rallied Tuesday in Moscow, expressing determination to "withstand the conservatives' onslaught" at the congress. The next day the 100 congress delegates from the DP met with party secretary Yakovlev, reputedly the most reformist member of the leadership, and unsuccessfully appealed to him to make a bid to become general secretary. Members of the DP yesterday announced they would support Gorbachev for reelection as general secretary but might leave the party in the fall; they said they would follow Yel'tsin's lead.

Comment: Yel'tsin's impassioned speech is not likely to have much effect on the congress. But he clearly threatened to bolt the party and probably could take a large contingent with him. Taken against the traditionalist tone of the congress, the speech is likely to enhance Yel'tsin's stature as a national leader and alternative to Gorbachev. It also increases the prospect that democratic reformers will use the state structure in battle with the party, furthering the polarization of Soviet politics in the process.

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ALBANIA:

Sliding Toward Anarchy

Albania's security forces clashed with some 40,000 demonstrators in the center of Tirane last night, and press accounts indicate the unrest has spread to other cities, including Shkoder and Kaveje.

There are no reports of additional deaths yesterday, but 20 to 50 people reportedly have died since Monday. The refugees in foreign embassies as of this morning total more than 4,000, most of them in the West German Embassy.

A meeting between Foreign Minister Malile and EC representatives from Greece, West Germany, France, and Italy failed to yield an agreement on the refugees' future.

describe the Albanian leadership as "in chaos." In a speech to the party Central Committee, President Alia spoke vaguely of further reforms, but also criticized the asylum seekers and alleged foreign intervention. The Central Committee plenum is to resume tomorrow.

Comment: The situation in Tirane is explosive, and the continuation of the plenum suggests the leadership is still groping for responses to the growing unrest. Alia's talk of reform is more likely to aggravate the situation than calm it. He might try to use the security forces' failure to anticipate or control the protests as an excuse to move against hardliners in the Interior Ministry and in the security forces. The renewed police crackdown, however, suggests the hardliners are still strong within the Central Committee. A leadership struggle could spill into the streets and quickly push the country into anarchy.

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Poland: New Security, Defense Ministers

Krzysztof Kozlowski, Minister of Internal Affairs

By nominating a civilian and well-known Catholic and Solidarity activist to head the Internal Affairs Ministry, Mazowiecki hopes to silence critics who say he is soft on former Communists and lagging behind other East European countries in defanging the hated internal security organizations. Kozlowski, formerly an editor of Poland's most popular Catholic journal, probably will do well once he learns the skills of political gamesmanship,

Vice Admiral Piotr Kolodziejczyk, Minister of Defense

Kolodziejczyk is a former—though liberal—Communist closely associated with the old regime. Mazowiecki probably hopes his nomination will ensure the support of former Communist legislators and government officials at least until the next elections. Kolodziejczyk has supported depoliticizing the armed forces and overseen implementation of rules allowing religious practices in the army.

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POLAND:

Cabinet Shuffle May Create Its Own Problems

Prime Minister Mazowiecki has removed three prominent former Communists and proposed advancing presidential and legislative elections, but some of the replacements may be too controversial to help him blunt charges of moving too slowly on political reform.

The ousting of the Interior, Defense, and Transport Ministers leaves Foreign Trade Minister Swiecicki as the only holdover former Communist in the cabinet, although one of Mazowiecki's new ministers is also a former Communist. The Democratic Party Telecommunications Minister was also cashiered; Peasants' Party member Janicki had resigned as Agriculture Minister Thursday in anticipation of the changes. Mazowiecki named successors for all posts except telecommunications. Voting late yesterday, the parliament approved all of the nominations except for Agriculture Minister-designate Balazs.

Mazowiecki retained Finance Minister Balcerowicz and pledged to stay the course on his economic reform program, although he reaffirmed that a number of measures are being taken to stimulate demand and cushion the impact of the recession. He said his government's main focus would be on passage of the long-delayed privatization package.

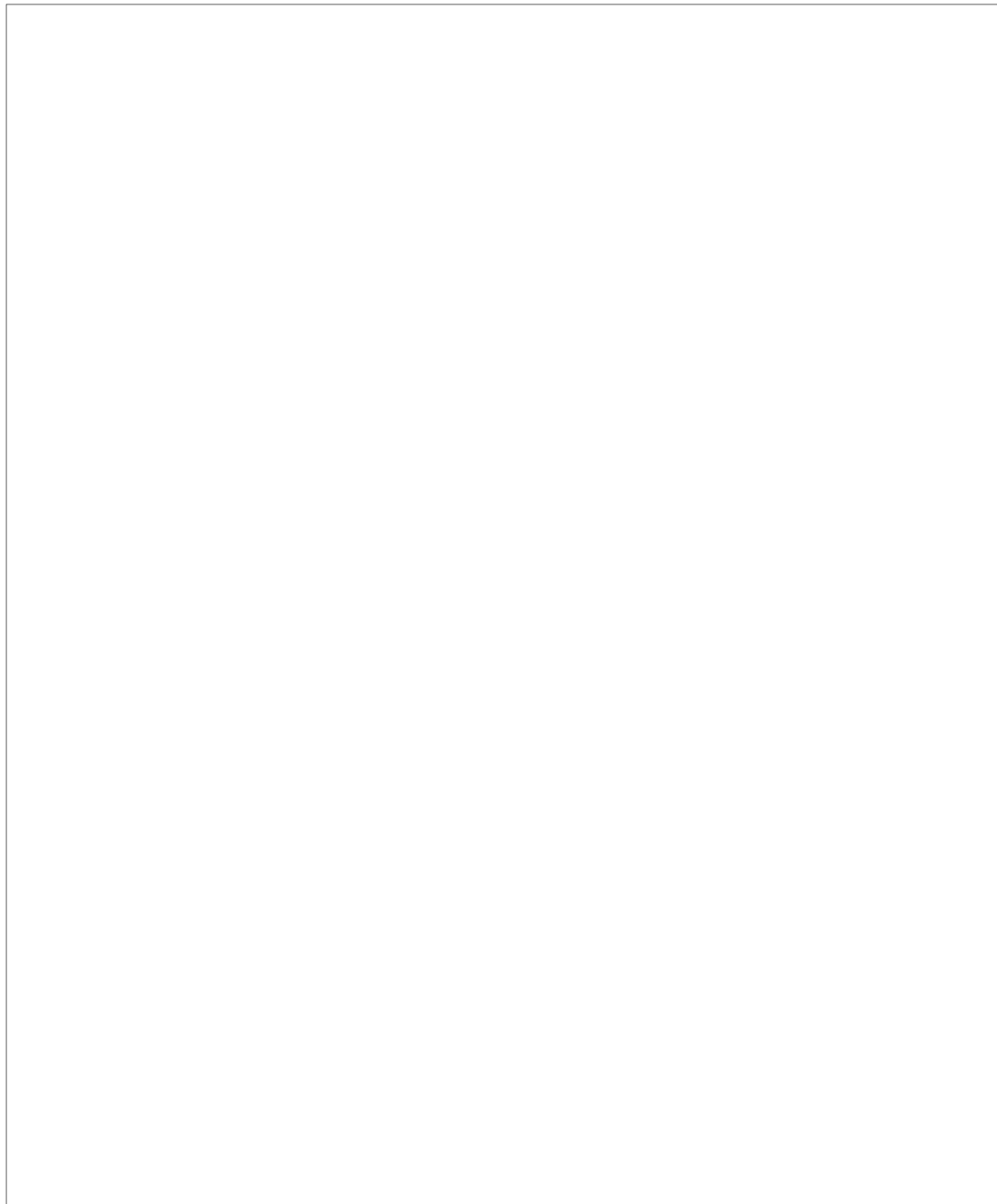
Comment: Mazowiecki has partly addressed issues Walesa has used to criticize the government. The Prime Minister almost certainly hopes for a respite from Walesa's attacks, at least until the privatization package—a cornerstone of his economic reforms—gets through the legislature.

By seeking quick legislative approval for the resignations and new appointments yesterday, Mazowiecki probably hoped to give any opposition little time to organize. Opposition from Peasants' Party members, however, probably defeated his choice for Agriculture Minister. Pro-Walesa forces may agitate against new Defense Minister Kolodziejczyk, a former Communist.

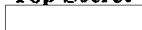
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LIBERIA:

Taylor Delays Another Day

Doe's army continues to crumble, but rebel leader Charles Taylor is still biding his time despite repeated announcements that the final assault is at hand.

Military positions changed little yesterday. Before dawn yesterday, an armed rebel trawler moved into the Monrovia free port, attacked Coast Guard headquarters, and left after several hours of intense fighting.

Heavy firing was heard at Elwa and Camp Schieffelin yesterday, and the army appeared to be maintaining a presence in the vicinity.

Rival rebel leader Prince Johnson's forces are moving toward Monrovia seeking to engage Taylor's troops but are still 63 km from the capital. Johnson's men reportedly are leaving a path of death and destruction in their wake.

Signs of army disintegration continue. The departures of army Chief of Staff Dubar and General Julue have hurt army morale. Increasing numbers of soldiers have removed their uniforms, and there are fewer armed soldiers on the streets. Soldiers and armed members of Doe's Krahn tribe are looting and killing throughout the capital. Numerous bodies have been seen along roadways.

In a desperate attempt to revive morale, the government radio station yesterday falsely proclaimed that a cease-fire agreement had been reached in talks with the rebels and that the army had repulsed attackers around Monrovia.

Comment: Taylor's delay appears to be having the desired effect on Doe's army. Government forces are unlikely to believe they have won the battle for Monrovia for long, and Doe's tactics may backfire as his troops' distrust and reluctance to be associated with his regime increase. Taylor may delay several days while the army continues to melt away. He may be concerned, however, about a two-front battle with Johnson closing in from behind.

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SOUTH AFRICA: Violence on the Rise

The recent surge in South African violence stems largely from attempts by rightwing whites to spike Pretoria's talks with the black opposition and by rival black groups to consolidate their positions; the strife is likely to persist.

The week has been marked by numerous violent incidents throughout the country:

- A bomb at a predominantly black bus terminal in Johannesburg yesterday injured at least 27 people. Other explosions in the Johannesburg area damaged the offices of an antiapartheid Afrikaans-language newspaper, the residences of two city councillors, and a synagogue. Police defused a bomb at the offices of the black National Union of Mineworkers in western Transvaal Province.
- A panicked white motorist drove into a crowd of blacks, killing four, and was then killed by onlookers in the KwaNdebele homeland.
- Two black gunmen shot and killed a leading black newspaper editor in Soweto, and black workers killed a white supervisor at a mine in the Orange Free State.
- A mob of blacks hacked a black policeman to death outside Durban, and three men attacked a police station in the eastern Transvaal, killing one policeman.

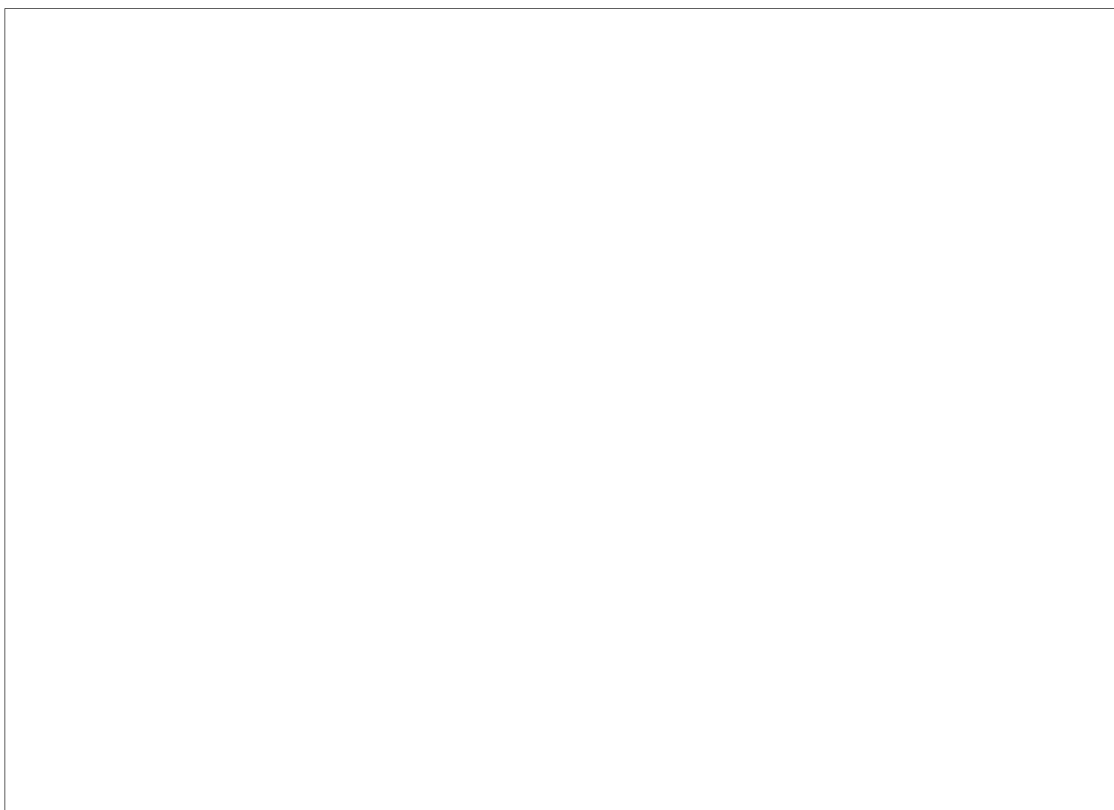
Comment: Much of the recent violence probably comes from ultraconservative whites seeking to arouse black anger and spoil negotiations, although some reflects divisions within the black community. Radicals on both the left and right are likely to respond to the recent violence by attacking their opponents.

Pretoria will be hard pressed to control the violence. White extremists are heavily armed, have access to commercial explosives, and can move freely in urban areas. Racial tensions and unrest are likely to intensify as negotiations progress and whites feel their dominant position eroding.

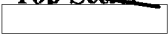
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The "Enterprise for the Americas" Initiative

Debt:

- As much as \$7 billion of the total \$12 billion Latin American debt to the US for concessional food and development aid (USAID, PL-480 Food for Peace) could be written off. Reductions of up to 50 percent will be handled on a case-by-case basis.
- Interest payments on remaining official debt will be made in local currency at an agreed concessional rate; this money will be placed in a trust fund to support environmental projects.
- Some CCC, EXIM, and OPIC commercial credits will be sold at a discounted market value; proceeds are to be used to facilitate debt-for-equity and debt-for-nature swaps.
- The Inter-American Development Bank (IDB) will join the IMF and World Bank in financing commercial debt reduction programs in Latin America.

Prerequisites for debt relief: a negotiated comprehensive IMF/World Bank economic reform program; adoption of major investment reforms; a negotiated agreement with commercial banks.

Trade:

- Regional cooperation in GATT Uruguay Round negotiations is to be enhanced.
- Bilateral trade and investment agreements will be reached that provide mechanisms for negotiating the elimination of trade barriers and the resolution of disputes.
- The initiative envisions a comprehensive hemispheric free trade system providing for the free flow of goods, services, and investment; protection of intellectual property rights; and expeditious procedures to settle disputes.

Investment:

- Work with IDB to develop a new investment sector loan program for Latin America. Provide technical advice and financial support for privatization efforts and a liberalization of investment regimes—possibly in conjunction with World Bank.
 - Five-year multilateral investment fund to be established to advance comprehensive investment reform in Latin America and the Caribbean; the US, Japan, and Western Europe to provide as much as \$300 million per year to be disbursed after reforms have been enacted—the IDB will be trustee for funds.
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~~Top Secret~~**LATIN AMERICA: Hopes High for US Hemispheric Initiative**

Most Latin American leaders have greeted President Bush's economic initiative with enthusiasm; some Latin Americans are skeptical about its implementation.

Many high-level officials say they view the initiative as evidence of Washington's commitment to support Latin American countries undergoing economic reforms at a time when much of the world's attention is focused on Eastern Europe and elsewhere.

Central American and Caribbean countries, which hold the region's largest share of official debt to the US, particularly favor the plan's debt component. Honduras hopes its \$470 million debt to US aid agencies will be halved. Jamaica expects the debt-relief proposal to have a crucial impact on its economy. Venezuela is focusing on the potential benefits from incorporating Inter-American Development Bank resources into its commercial debt rescheduling.

A number of the larger South American countries, including Argentina, Brazil, and Colombia, are particularly attracted to the plan's free trade component, which they view as a means to expand exports and encourage investment. Buenos Aires and Bogota have indicated they intend to follow Mexico's example and begin discussions with Washington on free trade accords. At the urging of several Latin leaders, the Latin American Integration Association will study the implications of creating free trade zones in the region.

Some Latin Americans evidently are dubious about the proposal's implementation and have set up commissions to examine the initiative. Peru, Ecuador, and the Dominican Republic have indicated concern about the requirement for policy reform and their eligibility for debt relief. Some officials in Argentina, Colombia, Costa Rica, and Mexico have noted that the US may be better positioned to reap most of the immediate trade benefits, while Latin America's gains would be deferred to the long term.

Comment: The initiative has significantly improved Washington's image in the region. Many Latin Americans seem to view the proposals as an important shift in US policy toward closer ties to the area. Between now and the President's visit in September, Latin America's expectations of major gains may rise considerably. With an eye to such gains, some major Latin American leaders will probably try to develop their own, more specific—and undoubtedly more beneficial—plans.

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~~Top Secret~~**YUGOSLAVIA: Federal Presidency Responds to Slovenia**

The collective federal presidency yesterday demanded that Slovenia immediately annul the independence declaration it made on 2 July and threatened to take measures to ensure Yugoslavia's integrity. The only specific action it announced is to bring Slovenia before the federal constitutional court. Slovene assembly leader France Bucar immediately rejected Belgrade's demand, and the republic government has directed that a list of federal laws not in compliance with republic ones be provided to the republic assembly next week. Since making the independence declaration, the Slovene legislature has recalled its delegates from the Federal Assembly and advocated the formation of a republic army.

Comment: The Slovenes almost certainly will ignore the collective presidency's threats and any constitutional court ruling. Federal authorities in Belgrade probably are under pressure to take action from those in the military and elsewhere who fear a breakup of the country, but, short of military intervention, the federal government's leverage over Slovenia is limited. A weak response by Belgrade will encourage Croatia to make a similar declaration soon.

USSR: Satisfied With Copenhagen Conference

The Soviets achieved most of their goals at the recent CSCE Conference on the Human Dimension, which mandated the opening of a preparatory conference next week for the CSCE summit in the fall. They avoided confrontation on the Baltic republics and gained agreement to begin comparative studies of human rights legislation, although a decision on a Moscow-supported proposal to establish a Committee on the Human Dimension was postponed.

Comment: The Soviets regard the conference as an important step toward the summit and the Human Dimension Conference in Moscow next year; they have been pressing hard to open preparatory negotiations for the summit. Moscow undoubtedly was relieved that the Baltic issue was defused, although realizing it will come up again in CSCE and other forums. Encouraged by the decision on human rights legislation and favorable discussion on creating a permanent committee, the Soviets almost certainly will continue pushing for a CSCE human rights organization. They believe its creation would amount to Western approval of their progress on human rights and help their efforts to set up other permanent CSCE organs.

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In Brief

USSR

- Estonia yesterday protested new Soviet paratroop deployment at site of canceled reunion of World War II freedom fighters—some were Nazis . . . underscores anxiety about sovereignty, Soviet military disregard of Estonian sensitivities.
- Ryzhkov has announced plans to reestablish Agriculture Ministry . . . clout of Ligachev-backed Peasants' Union growing . . . dominated by state, collective farmers who claim interests not protected by USSR's Food, Procurement Commission.

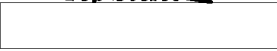
Europe

- Bulgarian President's resignation reduces pressure on other key Communists to step aside . . . may permit selection of non-Communist successor by legislature next week . . . might induce Union of Democratic Forces to participate in coalition.

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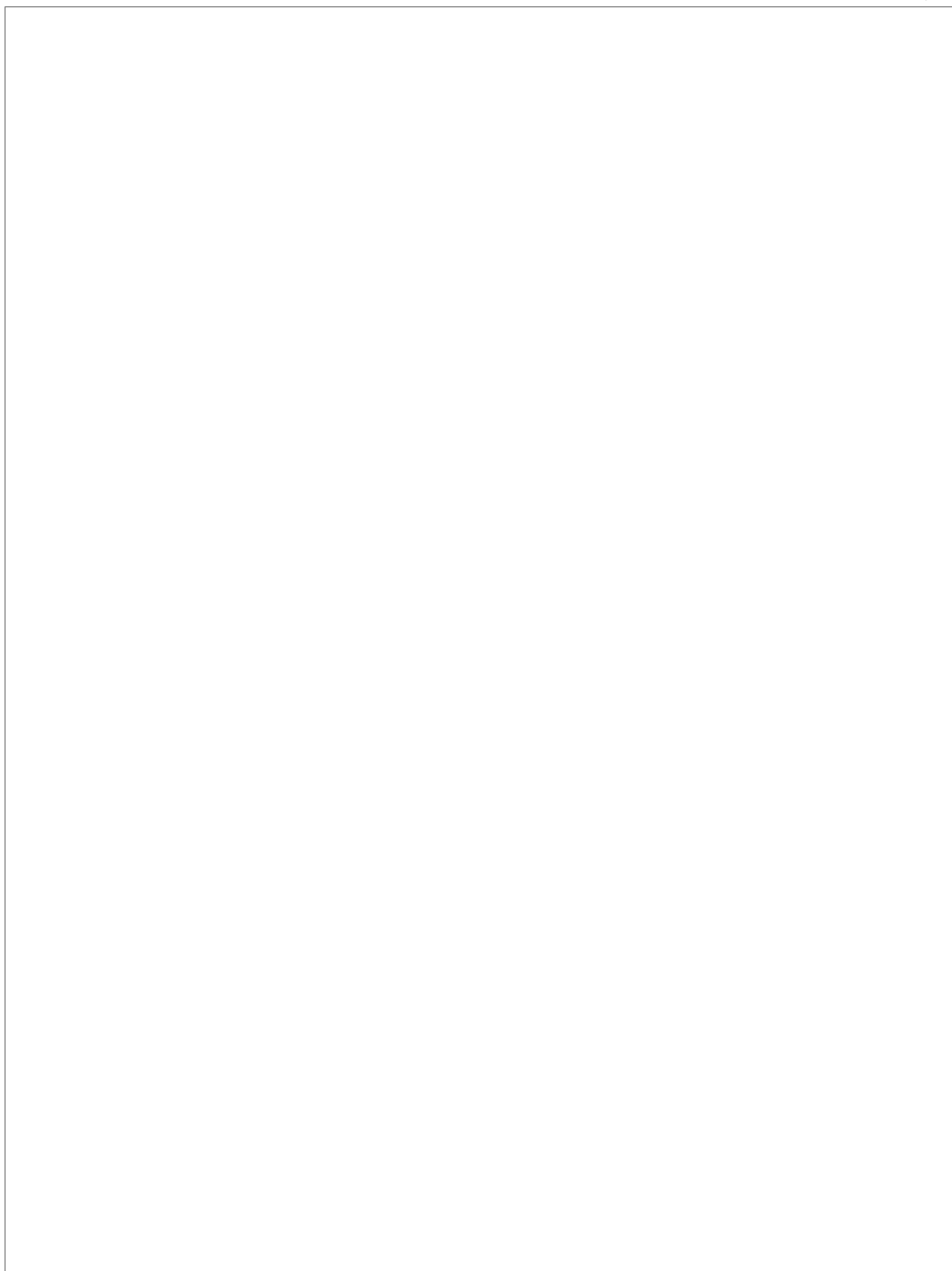
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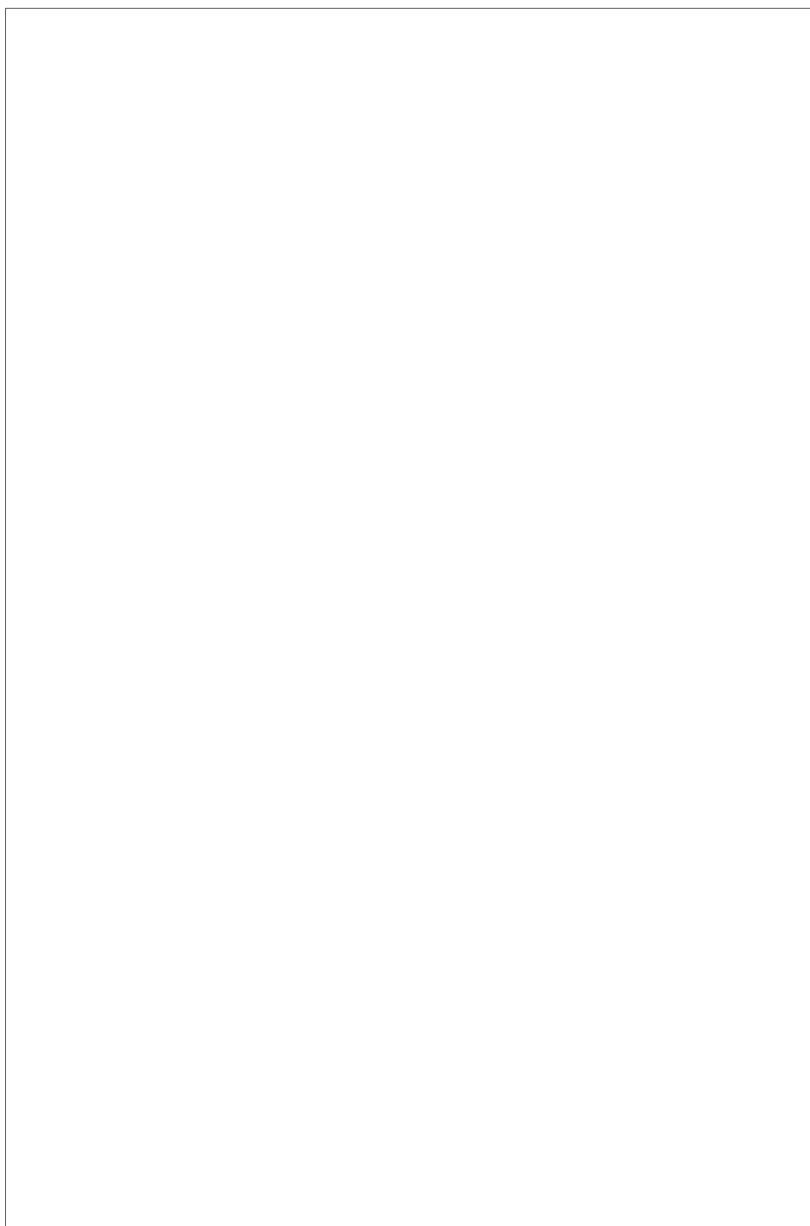


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Debate Over the Market

The policy of moving toward a regulated market and the government's handling of the USSR's economic crisis are proving to be among the most contentious issues at the party congress:

- Gorbachev, Shevardnadze, and party secretary Yakovlev vigorously defended the move toward a market with few qualifications.
- Premier Ryzhkov gave a lackluster speech in which he acknowledged the government's recent failures but justified the move from the command-administrative system. State Planning Committee Chairman Maslyukov endorsed the move toward a regulated economy but emphasized the importance of "plan principles" in the transition.
- Kryuchkov professed support for a regulated market but emphasized the evils of an unbridled, Western-style economy. Ligachev attacked the notion of private property.

The market has hit a raw nerve among many of the delegates, provoking heated exchanges between traditionalists and reformists:

- Angry delegates jeered at Deputy Premier Abalkin, who warned that, unless the party accepts market relations unconditionally, it would do irreparable damage to itself and society.
- At a working group session Thursday, radical economist Pavel Bunich accused the party and the government of addressing the working people with "twaddle." Maslyukov termed Bunich's remarks "indecent."

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Special Analysis

USSR:

CPSU Congress at Midpoint

Gorbachev appears to have adopted a strategy of damage limitation in an effort to prevent the traditionalists from parlaying their triumph at the Russian party congress last month into control of the national party; the showdown will come next week when the new party leadership is chosen. The traditionalists appear willing to work with Gorbachev but are clearly feeling their oats and demanding concessions that could curb market-type economic reforms and preserve the party's monopoly on power.

The traditionalists have used their voting power to rack up some small but telling victories. They grabbed control of a key congress commission and renamed another. Politburo hardliner Ligachev beat out Gorbachev's man to chair the agriculture commission. Faced with the prospect of another one of his allies falling to a hardliner in the race to head the commission charged with overhauling the party structure, Gorbachev threw himself into the fray. Even so, more than 1,000 of some 4,700 delegates voted against him.

The traditionalists' speeches indicate that one of their chief aims is to put the brakes on the transition to a market economy and protect the command administrative system. Ligachev this week reiterated his opposition to private property and insisted on the need to safeguard the collective and state farm structure. Even KGB chief Kryuchkov, who has generally been supportive of Gorbachev, warned, "It would be a ruinous mistake to throw the country into the arms of . . . the market"; he also joined with top military officers rallying to preserve the party's supervision of the army and the KGB. Gorbachev's foreign policy also has come under harsh attack, especially from military delegates who blame him for the country's deteriorating strategic position.

Although Boris Yel'tsin and other reformers were given an opportunity yesterday to vent their frustrations, they are a small minority at the congress and appear to be in disarray. Supporters of the party's Democratic Platform reportedly are equivocating on their threat to bolt the party. Some are waiting to follow Yel'tsin's lead while others apparently are hesitant to relinquish their claim to valuable party resources.

Gorbachev's Strategy

The traditionalists appear to have forced Gorbachev into a rear-guard action to keep their gains to a minimum. He retains control of key

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levers to influence the outcome of the congress and has been able to manipulate the agenda and control discussion, setting aside only two days so far for full-scale debate.

The Fight Ahead

The key battle probably will be over the party's organizational structure and its new leadership. Traditionalists appear to support retaining the General Secretary, buttressed by a deputy probably with some independent authority, and a Politburo that can control the party leader.

The new Central Committee almost certainly will be dominated by traditionalists, especially if the congress follows the lead of the Russian party congress and elects the Central Committee primarily on a regional basis. Gorbachev might try to impose a more moderate slate of Politburo-approved candidates or push for further consultations with the rank and file to gain time to rally moderate forces in the party. The delegates would hotly protest any such attempt to manipulate the process, however, making it difficult for Gorbachev to pull off.

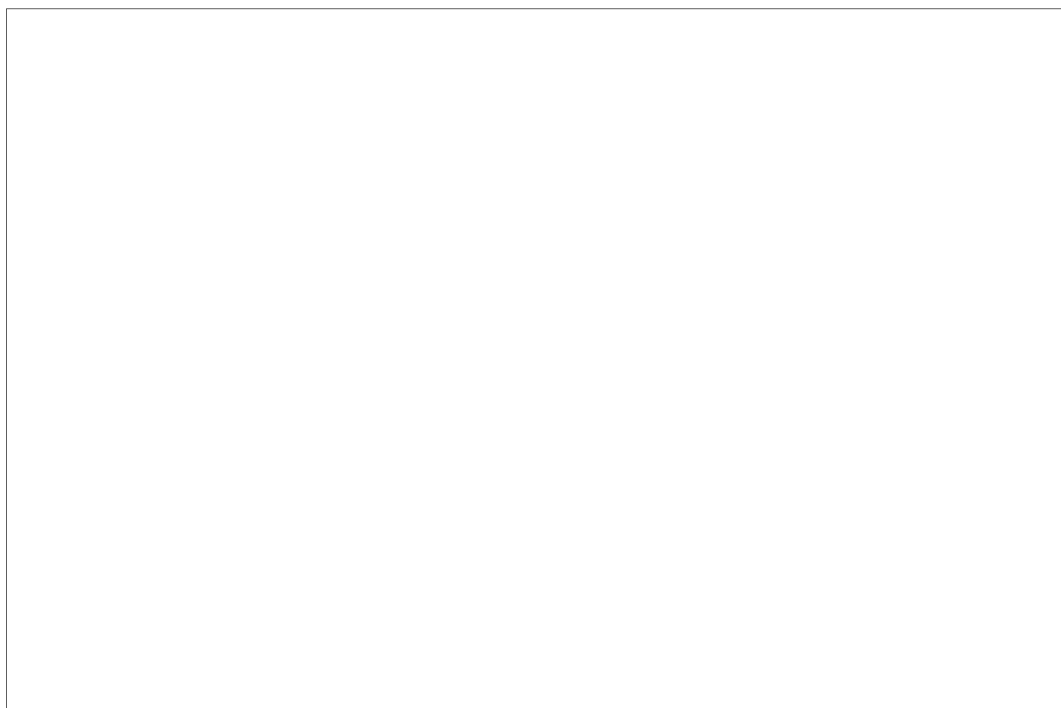
Although Gorbachev has been a master of surprise in the past, it appears he is now pouring many of his political resources into preventing the congress from becoming a traditionalist romp. He is certain to fight hard to push allies and pliable apparatchiks into top spots, although he might compromise on the party program and bylaws by pushing vague formulations that will not bind him.

The way the first week has shaped up, there appears no chance the congress can restore the party's credibility with the population. Gorbachev may have decided his best strategy is to stay at the party's helm to try to neutralize traditionalist power and renew the struggle to make the party more responsive to him. But he still appears at a loss for a way to reconcile the differences between the party apparatus, trying desperately to retain its monopoly on power, and moderates like himself who want to preserve the party's privileged role in a more competitive environment, to say nothing of how to fit in the democratic reformers, like Yel'tsin, who are willing to sacrifice the party's ruling status to move the USSR toward a Western parliamentary democracy.

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Special Analysis

FRANCE: Finding a Voice in the New Europe

In Houston President Mitterrand will call for the Group of Seven to endorse plans for an EC study of aid to the USSR. The French want to keep Moscow engaged in building Europe, to tie Germany firmly to the West, and to ensure stability by strengthening the EC and keeping a US military presence on the continent. Although these goals generally parallel US interests, France's vision of a Europe emerging from the shadows of the superpowers will provoke occasional bilateral clashes.

Although the French judge the Soviet economy so weak that Western assistance will have little effect, Mitterrand last month joined Chancellor Kohl in advocating substantial EC aid for Moscow, probably hoping Western support would help Gorbachev at home.

French officials reportedly are optimistic that Gorbachev has more leeway on foreign policy and believe the Allies should not make premature concessions in arms control.

The French believe a CSCE summit this year could help Gorbachev, but they probably would like to see a commitment from Moscow to cut Soviet forces in Europe substantially before new CSCE institutions are created.

France wants a united Germany in NATO but does not want to box in Gorbachev on this issue,

Paris apparently believes Gorbachev will be easier to bargain with if the West shows flexibility and may suggest retaining Four-Power rights in Germany for several months after unification. Paris is certain to resist any suggestion that the three Western powers press Moscow by terminating their rights in Germany.

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NATO and Europe

The prospect of German unification and instability in the East has given Paris a new appreciation for the US military presence in Europe. French leaders now explain that their various proposals for a new Europe are not meant to replace NATO and insist that the Alliance must maintain its military focus. Mitterrand's recent comments that NATO should discuss all aspects of European security essentially reiterate traditional Alliance policy.

Paris will condition its support for reforming NATO and for increasing France's role in the Alliance on development of a stronger Europe. The French see EC integration as crucial to Europe's political and security future and are trying to hasten its progress in order to tie Germany more firmly to the West. French reluctance to cede sovereignty to the EC in some areas nonetheless may delay integration and complicate European security coordination. France is likely to approach cautiously attempts to institutionalize US-EC ties, although Mitterrand and his advisers have voiced support for the concept.

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